

CONFORMED COPY

LOAN NUMBER 3782 TUN

Project Agreement

(Water Supply and Sewerage Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

SOCIETE NATIONALE D'EXPLOITATION ET DE
DISTRIBUTION DES EAUX

Dated September 21, 1994

LOAN NUMBER 3782 TUN

PROJECT AGREEMENT

AGREEMENT, dated September 21, 1994, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and the SOCIETE NATIONALE D'EXPLOITATION ET DE DISTRIBUTION DES EAUX (SONEDE).

WHEREAS (A) by the Loan Agreement of even date herewith between the Republic of Tunisia (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to twenty-nine million dollars (\$29,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that SONEDE agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) a portion of the proceeds of the loan provided for under the Loan Agreement will be made available to SONEDE on the terms and conditions set forth in said Loan Agreement to assist SONEDE to carry out Part B of the Project; and

WHEREAS SONEDE, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) SONEDE declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, engineering, environmental, financial, public utility and technical practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part B of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower, the Bank and SONEDE shall otherwise agree, SONEDE shall carry out Part B of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods and works required for Part B of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. SONEDE shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Part B of the Project.

Section 2.04. (a) SONEDE shall, at the request of the Bank, exchange views with the Bank with regard to progress of Part B of the Project, the performance of its obligations under this Agreement, and other matters relating to the purposes of the Loan.

(b) SONEDE shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of Part B of the Project, the accomplishment of the purposes of Loan, or the performance by SONEDE of its obligations under this Agreement.

ARTICLE III

Management and Operations of SONEDE

Section 3.01. SONEDE shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. SONEDE shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and public utility practices.

Section 3.03. SONEDE shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) SONEDE shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) SONEDE shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements)

for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

- (ii) furnish to the Bank as soon as available, but in any case not later than nine (9) months after the end of each such year: (A) certified copies of its financial statements for such year as so audited, and (B) the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of SONEDE thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify SONEDE thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

For SONEDE:

Société Nationale d'Exploitation
et de Distribution des Eaux
23, Rue Jawaher Lel Nehru
Tunis
Republic of Tunisia

Cable address:

SONEDE
Tunis

Telex:

14262 TN

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of SONEDE, may be taken or executed by its President Director General or such other person or persons as the President Director General shall designate in writing, and SONEDE shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Caio Koch-Weser

Regional Vice President
Middle East and North Africa

SOCIETE NATIONALE D'EXPLOITATION
ET DE DISTRIBUTION DES EAUX

By /s/ Oussama Romdhani

Authorized Representative

SCHEDULE 1

Procurement

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods for Part B of the Project shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part A, SONEDE shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, SONEDE shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the Republic of Tunisia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Local Competitive Bidding

1. Contracts for: (i) goods estimated to cost the equivalent of \$350,000 or less per contract; and (ii) civil works, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

Local Shopping

2. Small contracts for goods estimated to cost the equivalent of \$100,000 or less per contract and spare parts for brand equipment, up to an aggregate amount not to exceed the equivalent of \$2,000,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three (3) suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each: (i) contract for goods estimated to cost the equivalent of \$350,000 or more; and (ii) contract for civil works estimated to cost the equivalent of \$1,000,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the pre-ceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to the Loan Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Loan Account are to be made on the basis of statements of expenditure.

2. The figure of 20% is hereby specified for purposes of para-graph 4 of Appendix 1 to the Guidelines.

SCHEDULE 2

Implementation Program

A. Mid-term Review

(a) SONEDE shall prepare and furnish to the Borrower and the Bank, not later than December 31, 1998, a report, of such scope and in such detail as the Borrower and the Bank shall establish, on, inter alia, SONEDE's investment and maintenance policy for rural water supply.

(b) SONEDE shall afford the Borrower and the Bank a reasonable opportunity to exchange views on said report, and, thereafter, shall take all action which the Borrower, the Bank and SONEDE shall have agreed is required on SONEDE's part for the successful implementation of the Project.

(c) Specifically, if the Borrower and the Bank reasonably consider that the conclusions of the exchange of views referred to in paragraph (b) above indicate that SONEDE's role, responsibilities and participation in rural water services should be revisited, SONEDE shall conclude an agreement with the Bank outlining a new implementation program and schedule for the carrying out of Part B of the Project.

B. Rural Water Sub-projects

In selecting Sub-projects to be submitted for the Bank's review and approval for

financing under the Project, SONEDE shall at all times use criteria acceptable to the Bank.

